



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
HENDERSON COUNTY CLERK**

Calendar Year 2000

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HENDERSON COUNTY CLERK

Calendar Year 2000

The Auditor of Public Accounts has completed the Henderson County Clerk's audit for calendar year 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Revenues decreased by \$191,335 from the prior year and disbursements decreased by \$18,358. Excess fees decreased from the prior year by \$25,480 and excess fees of \$887,330 were paid to the fiscal court for calendar year 2000.

Deposits:

The collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$77,482 of public funds uninsured and unsecured as of April 6, 2000.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Sandy L. Watkins, Henderson County Judge/Executive
Honorable Wilma G. Martin, Henderson County Clerk
Members of the Henderson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Henderson County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Sandy L. Watkins, Henderson County Judge/Executive

Honorable Wilma G. Martin, Henderson County Clerk

Members of the Henderson County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2001, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
December 7, 2001

HENDERSON COUNTY
WILMA G. MARTIN, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

Receipts

State Grants	\$	31,082
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State Fees For Services		16,467
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Fiscal Court		86,579
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	1,007,822
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Usage Tax		4,845,566
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Tangible Personal Property Tax		3,224,493
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Licenses-

Marriage		44,850
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Beer and Liquor		5,065
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Deed Transfer Tax		103,620
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Delinquent Tax		231,333
		9,462,749

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	27,855
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Real Estate Mortgages		98,155
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Chattel Mortgages and Financing Statements		137,497
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Powers of Attorney		1,449
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All Other Recordings		35,128
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Charges for Other Services-

Candidate Filing Fees		940
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Copywork		12,014
		313,038

Other:

Postal Charges	\$	2,826
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Overpayments		10,634
		13,460

Interest Earned		2,576

Gross Receipts	\$	9,925,951
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HENDERSON COUNTY
WILMA G. MARTIN, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2000
(Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 752,366

Usage Tax 4,690,089

Tangible Personal Property Tax 1,170,775

Taxes and Fees-

Delinquent Tax 35,927

Legal Process Tax 54,407

Candidate Filing Fees 420 \$ 6,703,984

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 178,687

Delinquent Tax 26,090

Deed Transfer Tax 98,439

Beer and Liquor Licenses 4,950 308,166

Payments to Other Districts:

Tangible Personal Property Tax \$ 1,732,071

Delinquent Tax 112,743 1,844,814

Payments to Sheriff

4,146

Payments to County Attorney

35,004

Operating Disbursements and Capital Outlay:

Other Charges-

Other Disbursements \$ 146

Bad Debt Expense 2,819

Refunds 36,084

Library and Archives Grant Expenditures 31,082

Postage 292 70,423

Total Disbursements

\$ 8,966,537

Net Receipts

\$ 959,414

Less: Statutory Maximum

\$ 67,778

County Clerk Training Incentive

706

68,484

Excess Fees

\$ 890,930

Less: Expense Allowance

3,600

Excess Fees Due County for Calendar Year 2000

\$ 887,330

Payments to County Treasurer - Monthly

887,330

Balance Due at Completion of Audit

\$ 0

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Fee Pooling

The Henderson County Fiscal Court approved a fee pooling system for the County Clerk. Under the fee pooling system, revenues net of third party collections and distributions are paid to the County Treasurer the subsequent month. The county pays most of the operating expenses of the County Clerk's office.

D. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent.

HENDERSON COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2000

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits:

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County Clerk entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of April 6, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$77,482 of public funds uninsured and unsecured.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of April 6, 2000.

	<u>Bank Balance</u>
Insured or collateralized with securities held by the county official's agent in the county official's name	\$ 595,625
Uncollateralized and uninsured	<u>77,482</u>
Total	<u><u>\$ 673,107</u></u>

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$31,591. The unexpended grant balance as of January 1, 2000 was \$22,515. During calendar year 2000, grant receipts of \$8,400 were received and interest earned was \$166. Funds totaling \$31,081 were expended during calendar year 2000. The unexpended grant balance is \$0 as of December 31, 2000.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
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Members of the Henderson County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Henderson County Clerk for the year ended December 31, 2000, and have issued our report thereon dated December 7, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Henderson County Clerk's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Henderson County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
December 7, 2001

